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# A/E Rainmaker

## The Guide to Attracting and Keeping Great Clients

### OUTSOURCING/OFFSHORING: A BOOST TO THE BOTTOM LINE?

By Peter J. Kienle, FSMPS, CPSM and Judy Kienle, CPSM, MPH

In late summer, one of the McKim & Creed principals asked marketing to research outsourcing/offshoring for the firm since project managers were getting unsolicited calls from India and other offshore locations saying they could save up to 90% on certain professional services, if we hired them for this work. Project managers are always looking to reduce costs, as bottom line profit is a determinate of their yearly bonus.

Outsourcing and offshoring are similar in that they both involve subcontracting services to outside firms, but specifically, offshoring refers to getting work done in a foreign location. Both topics are top-of-mind concerns for firms looking to control costs, however, the decision to do either requires careful consideration. Relationships matter, in the end, you are risking your reputation if an offshore firm does not perform, misses a deadline, or submits less than a high quality product to your clients. Developing a good working relationship and gaining commitment are necessary elements to obtaining quality work that will maintain your firm's reputation. In order for the firm to make an informed decision, research was required and tactics for collecting both primary and secondary research were developed.

A Google search of articles on engineering outsourcing and offshoring delivered 5,200,000 and 2,330,000 hits respectively. Culling through all the hits would be impossible; however, early in the research, it was apparent that there is a tremendous amount of useful information about these topics. Probably one of the most important discoveries was a free public workshop held in October 2006 sponsored by the National Academy of Engineering (NAE), which focused entirely on global outsourcing of engineering services. NAE commissioned numerous papers, most being authored by university professors and researchers, which later became available to the public. The following points serve as a synopsis of some fascinating findings.

◆ **Offshoring will grow.** Global spending for engineering is about \$750 billion/year, and is expected to exceed \$1 trillion/year by 2020, a 25% increase. Currently, an estimated \$10 to \$15 billion is being offshored, which is projected to grow to \$150 billion to \$225 billion, a sizable increase. An Engineering Services Summit was held in Bangalore, India on August 4, 2006 and similar numbers were projected.

◆ **U.S. engineering resources cannot keep pace.** By anyone's account, many more engineering graduates are entering the job market from China and India

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than from the United States. Research conducted by Duke University for this program states that annually there are 222,000 U.S. graduates with bachelors/sub-baccalaureate engineering, computer science, and IT degrees. China will graduate 644,000 and India 215,000 in similar programs, an almost four fold combined increase over the U.S. The lesson: work will go on where there are workers to do it!

◆ **India and China in position to be leaders.** While firms are offshoring to over a dozen countries, including Mexico, Philippines, Poland, Hungary, Vietnam, India and China, India and China are in leading positions to gain substantially in the years ahead.

Primary research was conducted with more than 50 A/E firms asking specific questions about their experiences with outsourcing and offshoring services. The results:

**1. Technical Competency.** Many U.S. firms worry about technical competency in the offshore firm. To a person who has done offshoring, they said the technical competency to do good work is there, but there are other bigger factors to consider, among them, communication and training issues.

**2. Many are considering it, but few are doing it.** Some have tried and said it did not

work well. Many saw no need to outsource as they were handling their workloads adequately in-house. Something needs to trigger any consideration of offshoring, and usually it involves cost savings or the potential ability to develop reliable additional capacity.

**3. Firms of all sizes are doing it.** Most big firms have opened offshore offices or developed substantial offshore relationships. More middle and small firms are starting relationships or plan to offshore services in the near future.

**4. Cost savings are there.** The findings indicate that there is, in fact, substantial cost savings potential. While offshore telemarketers say as much as 90% cost savings is possible, consensus seems to be about 50% savings on average after all costs (labor, QA/QC, and any other costs) are factored in.

**5. Communication is still the #1 issue.** In the U.S., engineering staff often have challenges communicating from one cubicle to the next and working with professionals thousands of miles away in a foreign country with a different language, culture, and government, significantly compounds the communication issues. The amazing thing is that good communication can be had if both partners work diligently at it.

Based on the research, consider the following before making a large investment of resources in offshoring services:

◆ **Treat offshoring services as any other service you would contract for.** Due diligence is necessary prior to contracting for offshoring services, just as it is for outsourcing services within the U.S. Investigate the firms' technical systems, knowledge and process, and create an action plan for managing differences. Always, as you would for any service, check multiple references. Many firms assign one person to lead "outsourcing efforts" and that person sends RFP's, reviews materials submitted, and visits/interviews firms in the prospective offshoring country. As you can recognize, this is the typical A/E selection process.

◆ **Training and education.** Be certain to check that the offshore firm uses compatible hardware & software to yours and to those of your clients. Keep in mind training may be needed and will require an investment of time and resources to maximize your offshore investment. Ultimately it will be your job to make sure training programs for offshore employees are consistent with how your firm wants to work. Incentives or bonuses may be needed to induce offshore firms to produce at desired levels.

◆ **Do you have a foreign-born employee?** One firm talked about an employee from India who was trained and educated in the U.S. and needed to return to India for family reasons. This individual returned to India and started an office there to offer CAD services for his old firm — a relationship that worked well

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for both. He knew the quality needed and offered assurances that things would be done “his old firms’ way”. Other firms have located offices offshore with a family member running those offices — another option that has shown potential.

As the demand for engineering services increases, one logical path to growth is offshoring. The U.S. is the technology nexus of the world and the rest of the world is still overall far behind. Jack & Suzy Welch summarized in their October 15, 2007 Business Week Column “...globalization means outsourcing will be with us forever. Companies and their manager just need to get better at it...”

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Subsequent issues in 2008 will explore ways to communicate the value of offshoring to clients in both acquiring and keeping clients informed of the process and benefits of the results. Editors

## BRANDING FOR THE SMALL FIRM: PART II

By Marilyn Mendell

See **Part I: Gathering**, in the November 2007 issue of *AVE Rainmaker*.

### 2. ASSESSING

Once the basic information has been gathered and the tracking tools are in place the second phase can begin. Hopefully by now you will notice holes. Perhaps in filling in the budget you say, “Gosh, we don’t submit for awards.” Or “How do I find media contacts? Is she crazy, 4,000 contacts? First, why do I need that many and second, where would I get them?” That’s the normal panic stage. Relax. Everyone has something to submit for awards. Start small. Start to look for opportunities. Enter your dream awards on the list. Media contacts are easy. The first page of all magazines list the editor-in-chief and all their contact information. When you join a group or association you get a mailing list. Business journals all have a list of the top firms or businesses in various categories.

**Setting goals.** Don’t look at what you have just compiled. Just write down a wish list. “I want two new projects this year. I want to speak at the AIA national convention. I want a full page article in my local newspaper and *The New York Times*.” Now sort. Projects, articles, speaking engagements, and so forth.

**Aligning the facts with goals projected.** Now compare your charts with your wish list. Make sure that your charts have these wishes on them as tasks and as budgeted items. Make sure *The New York Times* is in your database and several reporters are tagged as media.

**Developing a plan.** Let’s say your plan is to get two new projects this year from law firms and you want to be recognized as a player within the realm of law firms. That’s your overarching goal and now your plan will be to support that result. Spend time noticing your surroundings. What magazines get to law firms? What organizations do lawyers congregate at? What conventions do they go to? Who speaks at those? Find a list of law firms to contact.

**What did you get for answers?** By now you should have a few shockers to the questions you asked. If not, go back and start again. Someone should have told you something that you were sure everyone already knew about you or what you do. It is the anomalies that you’re looking for — the answers that don’t fit nicely into your goals and plans, or won’t support those goals if people continue to think of you the way they are currently.

Part III will discuss “**Implementation** of these ideas.”

With over 30 years of experience, Ms. Mendell, president of Win Spin CIC, Inc., a creative intelligence consulting re-branding, re-imaging and public relations corporation, is known for her award-winning campaigns. She has written hundreds of articles and speaks at national conferences. She can be reached: [mmen125@aol.com](mailto:mmen125@aol.com).